OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

717 14TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols
District of Columbia Auditor

013:06:SDG:MK:OC:JP:gk

Auditor's Examination of Parking Meter Contract Administration and Financial Management

July 7, 2006

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EXECUTIVE SUMMARY

PURPOSE

Pursuant to a request from Councilmember Carol A. Schwartz, Chairperson of the Committee on Public Works and the Environment, and Section 455 of the District of Columbia Home Rule Act,[1] the District of Columbia Auditor examined contract number OMS-6120-AA-CW/KH governing the District's parking meter program for fiscal years 1999 through 2005, as of March 31, 2005.[2] The contract, initially awarded by the District of Columbia Department of Public Works (DPW), is now administered by the District Department of Transportation (DDOT).[3]

CONCLUSION

The Auditor's review of the parking meter contract and related Request for Proposal (RFP) issued by the District during September 1998, revealed a number of significant deficiencies. These deficiencies must be addressed in order to strengthen DDOT's monitoring and oversight capabilities. The findings identified in this report focus largely on the DDOT's failure to hold the contractor accountable for non-performance of the contract standards and ineffective independent monitoring of parking meter operations and collections.

For example, the Auditor found that the District did not enforce a provision for the contractor to provide and utilize hand-held devices to report meter revenue audit data and the actual number of times meters were serviced. As a result, the District lacks an independent means to validate the calculation and reporting of parking meter revenue or meter servicing and is completely reliant on the parking meter contractor to provide critical information regarding revenue collections in addition to lacking an independent basis to challenge data provided by the contractor.

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[1]*See* the District of Columbia Home Rule Act, as amended, 87 Stat. 790, approved December 24, 1973, Pub. L. No. 93-198, section 455 (b), D.C. Code § 1-204.55 (b): "The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe." *See also*, the District of Columbia Home Rule Act, as amended, Pub. L. No. 93-198, section 455 (c): "The Auditor shall have access to all books, accounts, records, reports, findings and all other things, or property belonging to or in use by the department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

[2]The District of Columbia government through the Department of Public Works (DPW), privatized its parking meter operations through a seven (7) year, seven (7) month contract with Lockheed Martin IMS Corporation, now Affiliated Computer Services (ACS), that began February 9, 1998. ACS purchased Lockheed Martin IMS Corporation for $825 million in August 2001. See Annual report filed with the Securities and Exchange Commission for fiscal year ended December 2001, for Affiliated Computer Services, ACS, and Lockheed Martin Corporation annual report filings for the fiscal year ended December 31, 2001.

[3]The contract was transferred from DPW to DDOT in fiscal year 2002, along with all monitoring and oversight responsibilities. (See D.C. Law 14-137, the "Department of Transportation Establishment Act of 2002" effective May 21, 2002). DDOT is responsible for contract monitoring and oversight to ensure that the contractor's performance meets the contract's standards and ensure that the District receives all revenues from parking meter operations.

The Auditor also found that the rates used to calculate liquidated damages were unrealistic, and that the methodology utilized by the parking meter contractor to determine compliance with the parking meter operability performance standard of 97 percent is seriously flawed. Despite the District's authority to bill and collect specific liquidated damages for non-performance, the contractor was not assessed and charged for all liquidated damages available. As a consequence, the District at a minimum, lost revenue from liquidated damages totaling $751,244. Finally, the Auditor found that the sliding scale method used to pay the contractor under the current parking meter contract does not provide adequate incentive for maximum meter operability and does not encourage maximum revenue collection for the District.

Although the Auditor found that DDOT's oversight and monitoring improved during the last 12 months on the 7 year contract, improvements are still needed. Specifically, for any future parking meter contracts, DDOT must ensure that effective and beneficial contract standards are in place; adequate penalties for non-compliance of contract standards are sufficient; and DDOT's monitoring and oversight of these standards are adequate to ensure proper compliance.

MAJOR FINDINGS

1. DDOT is not independently monitoring and validating parking meter revenue collected by the contractor.

2. Hand-held devices were not used by the contractor to record and report daily parking meter revenue as required by the contract.

3. DDOT is not independently overseeing the counting process for parking meter collections.

4. The parking meter contractor failed repeatedly, without penalty, to meet the $45,000 minimum daily parking meter revenue deposit requirement.

5. DDOT is not adequately assessing operability data and is failing to collect all liquidated damages allowable under the contract.

6. Data used by the contractor to determine compliance with the contract's 97 percent parking meter operability standard is flawed.

7. DDOT failed to enforce the liquidated damages clause for late meter repair/replacement during fiscal year 1999 through 2004, as of December 31, 2003 resulting in lost revenue totaling approximately 576,903.

8. The contractor miscalculated the amount of liquidated damages owed to the District for the period January 2004 to March 31, 2005 resulting in lost revenue of $51,147.

9. DDOT failed to penalize the contractor for failing to complete work authorized by DDOT within the required 72 hour timeframe resulting in lost liquidated damages of $123,194.

10. Ineffective invoice monitoring and reconciliations resulted in variances in recorded parking meter revenues.

MAJOR RECOMMENDATIONS

1. For future parking meter contracts, DDOT's Contracting Officer, strictly enforce all contract provisions. Specifically, should DDOT require the use of hand-held data terminals going forward, the contractor must be made to comply with all provisions in the delivery of this service for reporting critical information particularly in those instances where it would allow DDOT to monitor and independently validate meter revenue and operation information.

2. DDOT's Contracting officer, for future contracts, establish and implement a liquidated damage penalty for the contractor's failure to maintain all parking meter accessories including hand-held data terminals. Further, the legal sufficiency review conducted by the Office of the Attorney General should be sufficiently thorough enough to identify or discern areas of the contract where the District's best interest is not addressed.

3. DDOT examine the feasibility of having an on-site government representative to monitor and verify the accuracy of the collection and counting operations in order to identify any potential weaknesses in the processes.

4. DDOT's Contracting Officer immediately investigate all deposits which did not meet the daily $45,000 minimum deposit requirement and determine if adjustments to the amount is required.

5. DDOT's Contracting Officer, for future contracts, establish and implement liquidated damage penalties for failing to meet established daily minimum deposit requirements.

6. DDOT's Contracting Officer should clearly document how the 97 percent operability provision is to be calculated rather than allowing the contractor to make the determination.

7. DDOT's Contracting Officer must effectively monitor parking meter operability as required by the contract and independently verify compliance with this requirement in order to ensure the accuracy of any contractor report asserting compliance with this and other performance standards. If the contractor is not in compliance with the 97 percent operability standard, DDOT must hold the contractor accountable and enforce the liquidated damages provision requiring the contractor to compensate the District in accordance with the contract provisions.

8. DDOT's Contracting Officer must specify in the new contract or the request for proposals criteria for determining whether meters are inoperable and any exceptions to the common meaning should be clearly articulated in the contract in order to eliminate the possibility of the contractor making unconstrained determinations about meter inoperability.

9. DDOT's Contracting Officer must establish a comprehensive database to track the status of all work orders issued to the contractor and maintain hard copies of all work orders, that are complete and accurate.

10. DDOT's Contracting Officer must enforce the assessment of penalties for liquidated damages for the contractor's failure to meet the performance requirements regarding requested work orders.

11. DDOT's Contracting Officer should aggressively enforce all provisions of the contract regarding liquidated damages through the entire contract period for future parking meter contracts. Specifically, DDOT should make efforts to recover lost revenue from failing to enforce the liquidated damage clause for prior fiscal years.

12. DDOT's Contracting Officer should modify future contract/RFP requirements to reflect that meter inspections are viewed as "discovery" for purposes of liquidated damages regarding repair and replacement and the contractor be held accountable for any resulting liquidated damage charges. In fact, any meter reported as inoperative should be investigated and repaired, if necessary, within the 72 hours regardless of the repair code.

13. DDOT independently reconcile monthly meter revenue reported on ACS invoices to revenue reported in SOAR and if there is any variance identify the source and make the necessary adjustments.

PURPOSE

Pursuant to a request from Councilmember Carol A. Schwartz, Chairperson of the Committee on Public Works and the Environment, and Section 455 of the District of Columbia Home Rule Act,[4] the District of Columbia Auditor examined contract number OMS-6120-AA-CW/KH governing the District's parking meter program for fiscal years 1999 through 2005, as of March 31, 2005.[5] The contract, initially awarded by the District of Columbia Department of Public Works (DPW), is now administered by the District's Department of Transportation (DDOT).[6]

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the examination were to determine whether:[7]

1. DDOT effectively monitored and accurately validated parking meter revenue;

2. DDOT properly assessed and collected liquidated damages for non-performance by the contractor;[8] and

3. the negotiated fee structure for the contractor impacted the District's ability to manage parking meter operations.

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[5] The District of Columbia government through the Department of Public Works (DPW), privatized its parking meter operations through a seven (7) year, seven (7) month contract with Lockheed Martin IMS Corporation, now Affiliated Computer Services (ACS), that began February 9, 1998. ACS purchased Lockheed Martin IMS Corporation for $825 million in August 2001. *See* Annual report filed with the Securities and Exchange Commission for fiscal year ended December 2001, for Affiliated Computer Services, ACS, and Lockheed Martin Corporation annual report filings for the fiscal year ended December 31, 2001.

[6] The contract was transferred from DPW to DDOT in fiscal year 2002, along with all monitoring and oversight responsibilities. (*See* D.C. Law 14-137, the "Department of Transportation Establishment Act of 2002" effective May 21, 2002). DDOT is responsible for contract monitoring and oversight to ensure that the contractor's performance meets the contract's standards and ensure that the District receives all revenues from parking meter operations.

[7] The focus of a 2nd report will be the contractor's performance under the privatization contract and an evaluation of the District's internal controls, monitoring and oversight.

[8] *See* Contemporary Business and E-Commerce Laws, Forth Edition by Henry R. Cheeseman, dated 2003 which defines liquidated damages at page 305: "Under certain circumstances, the parties to a contract may agree in advance to the amount of damages payable upon a breach of contract. These damages are called **liquidated damages**. To be lawful, the actual damages must be difficult or impracticable to determine, and the liquidated amount must be reasonable in the circumstances [Restatement (Second) of Contracts, § 356(1)]. . . ."

The scope of the audit included the period September 8, 1998 through March 31, 2005. In some cases, the audit period was extended to include fiscal year 2005 through September 30, 2005.

In conducting the examination, the Auditor reviewed Parking Meter Contract No. OMS-6120-AA-CW/KH, dated February 9, 1998, the corresponding Request for Proposal (RFP),[9] and the Contractor's Best and Final Offer.[10] The Auditor also interviewed appropriate DPW and DDOT officials to evaluate the District's monitoring and oversight of key contract provisions regarding the validation, collection, transporting, counting, and depositing of parking meter revenue. Additionally, the Auditor interviewed key contracting officials and examined documentation maintained by DDOT and the contractor to evaluate the functionality of parking meters and determine the contractor's compliance with contract deliverables and performance standards. Further, the Auditor conducted site visits of six (6) meter routes and examined over 2,100 parking meters to assess the contractor's performance.

The audit was conducted in accordance with generally accepted governmental audit standards and included such tests of the records and systems as deemed necessary and appropriate under the circumstances.

BACKGROUND

Prior to the privatization of parking meter operations, DPW staff performed maintenance and repair of parking meters. A private contractor handled the collection, counting, transport, and deposit of parking meter revenue. The privatization contract was awarded because of widespread vandalism of parking meters, staffing shortages in DPW's Transportation Systems Administration (TSA), and a significant decline in the District's parking meter revenue during the mid to late 1990's. Parking meter revenue had reached a high of $13.4 million in fiscal year 1992, however, by fiscal year 1996 revenue had declined to $9.6 million.[11] According to District officials, the privatization of parking meter operations was expected in part, to address the vandalism and staff shortages while increasing District revenues. However, the Auditor's review found that parking meter collections have only increased by approximately $500,000 over the $13.4 million achieved in 1992, despite the increase in the number of parking meters installed in the city.[12]

[9] *See* RFP No. OMS-6120-AA-CW/KH issued February 4, 1997, Closing date March 6, 1997.

[10] *See* Contractor's Best and Final Offer Dated October 29, 1997. It should be noted that the RFP and Contractors Best and Final Offer were incorporated into the final contract. *See* Article 19, Incorporated Documents, Contract No. OMS-6120-AA-CW/KW.

[11] *See* Grant Thornton LLP, report entitled "District of Columbia Department of Public Works Transportation Systems Administration, Revenue and Cost Study for Privatization and Enhancement of Parking Meter Operations" dated June 25,1997.

[12] DDOT's Curbside Management Division reported a monthly meter average of 15,935 meters for FY 1992.

For the period February 9, 1998 to September 8, 2005 the parking meter privatization contract's initial cost was $24,992,000. According to the agreement, the contractor was required to perform the following tasks:[13]

- ❑ provide parking meter equipment;
- ❑ remove, install, and maintain parking meters; and
- ❑ collect and account for meter revenues.

The original contract was twice modified (see Attachment 1). On November 22, 2002, the District's DPW executed the first modification totaling approximately $735,376 for the purchase and installation of an additional 1,500 electronic meters.[14] On August 30, 2004, DDOT executed the second modification totaling $994,915 for the purchase of 100 multi-space meters, decals, and smart cards.[15] Based on these modifications, the original contract price of $24,991,000 increased to $26,721,291.

Through the privatization contract, the parking meter contractor ACS, formerly Lockheed Martin, IMS, was responsible for management of all the District's parking meter operations and functions. The parking meter contractor subcontracted the following parking meter operations and functions as presented in Table I.

TABLE I
ACS Subcontractors Providing Parking Meter Services

Subcontractor	Services Provided
Worldwide Parking, Inc.	Responsible for maintenance and repairs of District parking meters. Worldwide Parking, Inc., was also responsible for the installation, and removal of parking meters in addition to investigating complaints received through the District's meter complaint hotline.
Serco Services, Inc.[16] (formerly JL Associates, Inc.)	Responsible for the collection of all District parking meter revenue from approximately 16,500 parking meters. The District's parking meters are grouped into different collection routes based on geographical location. Serco is responsible for collecting meter revenue from approximately 79 collection routes. Meter revenue is collected daily on high meter routes and every other day for other routes. Serco collects coin canisters from individual parking meters and delivers the canisters to the parking meter contractor's warehouse where they are weighed and readied for pickup by Loomis Fargo. Serco has a staff of 10 consisting of a supervisor and three (3) teams of three collectors each dedicated to the performance of duties under this contract.

[13] *See* Request for Proposals Closing Date March 6, 1997, Contract No. OMS120AACW/KW.

[14] *See* Modification #1 for Contract No. OMS-6120-AA-CW/KH for 1,500 additional meters at a cost of $447.00 per meter without posts and $529.00 for meters with posts, dated November 22, 2002.

[15] *See* Modification #2 to Contract No. OMS6120AACW/KH, for $994,915.00, dated August 30, 2004.

[16] Serco Services, Inc., was awarded a fleet maintenance contract by the District's Metropolitan Police Department. The contract was terminated for Serco's failure to perform.

Loomis Fargo and Company (LFC)	Armored vehicle company responsible for transporting, counting, and depositing parking meter revenue Monday through Friday. LFC picks up meter revenue from the ACS warehouse, transports it to a secured counting facility where it counts and records meter revenue. After completing the count, LFC prepares deposit slips and deposits the funds by the close of business or the next business day in the District's account at Independence Federal. LFC provides documentation to ACS on revenue and verification of the deposited funds.

Source: Contract information provided by ACS

In addition to meter installation, repair, replacement, and oversight of meter revenue collections, ACS provided DDOT with a comprehensive parking meter management system. This system included a Ticket Information Management System (TIMS) and Meter Management System (MMS).

TIMS is a comprehensive database and reporting system which is to provide detailed meter management information, including collection projections and reporting, meter outage, and repair history. TIMS was to provide the District with real time meter repair capabilities in order to efficiently handle meter complaints.

MMS, a subsystem of TIMS, was designed to be fully integrated with hand-held data terminals to be provided by the contractor. MMS and the hand-held terminals for use on the meter routes were to provide the contractor with the capability to transmit parking meter data electronically and provide DDOT with automated data retrieval, including daily revenue auditing capabilities and on- line historical data regarding meter repair history, outage type, route assignments, and preventive maintenance schedules.

FINDINGS

DDOT IS NOT INDEPENDENTLY MONITORING AND VALIDATING PARKING METER REVENUE COLLECTED BY THE CONTRACTOR

The Auditor found that DDOT is solely reliant on the contractor to provide accurate parking meter revenue information as well as management and performance reports. DDOT is unable to independently verify revenue collected and counted; accurately identify underperforming meters; and identify variances in revenue at different parking meter locations throughout the District. The Auditor found that when meter revenue is collected and counted, the contractor inputs meter revenue information into the MMS and provides DDOT with electronic copies of this information which DDOT does not audit or verify.[17]

Hand-Held Devices Were Not Used by the Contractor to Record and Report Daily On-Site Parking Meter Revenue as Required by the Contract

Section B.4a(4) of the RFP requires that the contractor provide all necessary parking meter accessories to support the operation and management of the District's parking meter operations. The RFP states that these accessories are to include hand-held data terminals to record, at the site of the meter, all revenue audit and meter maintenance data. According to the RFP, the contractor was also to provide computer equipment capable of operating the manufacturer's parking meter software applications, databases, and revenue audit software capable of communicating with the hand-held data terminals.

Section B.4a(5)(b) of the RFP further stated that parking meter equipment supplied for the contract was to be supported by a management information software system secured at the physical and software level, located in an area accessible only to authorized users, and that allowed authorized users at various user levels, access to the applications and databases.

The management information software system was supposed to provide the contractor with the ability to record revenue audit data for each parking meter and revenue for specified collection routes as well as specified time periods. This data was, at a minimum, to be used by the District specifically to support the accurate reporting of revenue and to monitor the contractor's performance.

Despite the contract and RFP requirement for the contractor to provide hand-held devices equipped with an audit function to record revenue and maintenance information on all parking meters, the Auditor found that this requirement was never implemented. According to the ACS Contract Manager, the hand-held devices were problematic from the inception of the contract and despite being returned to the manufacturer for repair, the devices never worked properly. ACS' Contract Manager did not provide the Auditor with any documentation to support the assertion that

[17] The MMS is the primary database which holds all parking meter information. DDOT can only view the information that is input into the MMS system.

the hand-held devices were returned to the manufacturer for repair and never worked properly. There was no evidence that ACS sought an alternative solution to fulfill this requirement. Also, the Auditor was not provided any documentation from DDOT officials regarding their role and disposition in this matter. Subsequently, the contractor discontinued using hand-held devices to record meter *revenue* data, but continued to use them to record limited data on malfunctioning parking meters. The Auditor found the contractor was not held accountable, in any way, for their failure to fulfill the requirement of the contract regarding the use of hand-held devices. Further, the Auditor found that the District never sought an alternative to the use of the hand-held devices that would accomplish the same purpose, failed to modify the existing contract to excuse the contractor from complying with this requirement and failed to establish a liquidated damage penalty clause addressing the contractor's failure to maintain parking meter accessories such as the hand-held devices.

As a result of the contractors' failure to comply with this provision of the contract, DDOT could not independently and accurately verify revenue collected, fully identify meters that were underperforming, and identify variances, increases/decreases in revenue at different meter locations throughout the District. Instead, this information had to be retrieved for DDOT's use by the contractor.

DDOT Is Not Independently Overseeing the Counting Process for Parking Meter Collections

Currently, all meter revenue is collected at each meter by one subcontractor,[18] delivered to ACS's warehouse for counting by another subcontractor,[19] and ultimately deposited by the latter subcontractor into a District designated bank account.[20]

The performance standards outlined in Section B.9(c) of the RFP provide, in relevant part, that:

- meter revenue audit data collected and counted reconciles with the revenue data collected from the meters;
- surveillance activities are performed on collections, counting and bagging personnel and indicate no pilferage;
- a Office of Finance and Treasury audit of the parking meter operation results in no financial management or reporting problems;
- revenue trends are analyzed and reported on a monthly basis; and
- the contractor can provide information and reporting, within 24 hours of request, which will allow the District to validate the performance measures in this section.

[18]Serco Services, Inc.

[19]Loomis Fargo and Company.

[20]*See* Contract between Lockheed Martin IMS Corporation and Loomis Fargo & Co. dated February 20, 1998.

In addition to not having an independent means of verifying the amount of funds collected from each meter, the Auditor found that DDOT does not have a representative on-site to validate the accuracy of the count or to identify any potential weaknesses in the counting process that could lead to possible theft, pilferage or fraud of government funds. The Auditor also found that the Office of Finance and Treasury does not conduct any financial audits of the parking meter operations. DDOT relies solely on the contractor to provide the results of revenue collection and counting. The Auditor found that DDOT officials' failure to independently apply sound financial monitoring, control, and performance measurement and oversight practices exposes revenue collection and reporting to fraud, waste, and abuse.

The Parking Meter Contractor Failed Repeatedly, Without Penalty, To Meet the $45,000 Minimum Daily Revenue Deposit Requirement

Although RFP Section B.4(c)2(d) requires the contractor to deposit at least $45,000 each day in parking meter collections, the Auditor's review of deposits revealed repeated instances in which the requirement was not met.[21] For example, from fiscal years 2003 through March 31, 2005, the Auditor identified 133 deposits out of 607 that were below the $45,000 minimum deposit requirement. The 133 deposits ranged from $21,967 to $44,982. A listing of all deposits that the Auditor found failed to meet the minimum balance requirement is presented in Appendix I.

According to DDOT officials, actual meter collections may be impacted by factors such as the weather or special events but they have no way of supporting that assumption with their own independent evaluation of relevant data. Instead they rely on the contractor who has stated that the meter collections have been impacted by: (1) parking meter fees that have not been increased in recent years; (2) free weekend parking; and (3) increased use of meters by disabled persons that qualify for free parking.[22] Based on an analysis conducted by the Auditor, the decline in meter revenue may be due, *in part*, to other factors such as recent vandalism, an increase in the number of inoperable meters, removal of meters for construction projects,[23] and the permanent removal of meters from some District locations following September 11, 2001. Notwithstanding the above noted factors, the Auditor found no records or instances where DDOT officials analyzed decreases in parking meter collection revenue; held discussions with the contractor regarding the contractor's failure to meet the $45,000 minimum daily revenue deposit requirement; or modified the contract to reduce the $45,000 daily deposit requirement. Once again, DDOT officials failed to adequately perform their management oversight responsibility of monitoring and ensuring the contractor's compliance with the provisions of the parking meter contract.

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[21]The Auditor found that there is no liquidated damage or other penalty provision in the contract/RFP that is assessed against the contractor when revenue collections fall below the expected $45,000 minimum. This is an important provision that was overlooked or omitted in the drafting and legal review of the contract.

[22]The law which exempted disabled District persons for payment of meter fees became effective in FY 2001. In addition, according to contractor officials, they assumed parking meter fees would increase, and that there would be no moratorium on weekend and handicapped parking, however, this did not occur.

[23]Construction companies are required to pay the District a fee for the removal of any meter related to construction projects.

As a result of the contractor's failure to meet the $45,000 minimum daily revenue collection requirement, and the absence of a liquidated damage provision in the contract to account for this shortfall, actual revenue collections recorded and received by the District were $3.6 million, or 8 percent, lower than projected in the contract. Table II presents a comparison of projected revenue versus actual collections for fiscal years 2002 through 2004.

TABLE II
Comparison of Projected Parking Meter Revenue to Actual Revenue
FY's 2002 -2004

Year	Projected Revenue	Actual Revenue	Variance
2002	$15,092,000	$13,997,435	$(1,094,565)
2003	15,092,000	13,943,075	(1,148,925)
2004	15,092,000	13,714,730	(1,377,270)
Total	**$45,276,000**	**$41,655,240**	**$(3,620,760)**

Source: Parking Meter Contract and SOAR

RECOMMENDATIONS

1. For future parking meter contracts, DDOT's Contracting Officer, strictly enforce all contract provisions. Should DDOT require the use of hand-held data terminals going forward, the contractor must be made to comply with all provisions in the delivery of services and reporting of critical information particularly in those instances where it would allow DDOT to monitor and independently validate meter revenue and operation information under future contracts.

2. DDOT's Contracting Officer, for future contracts, establish and implement a liquidated damage penalty for the contractor's failure to maintain all parking meter accessories including hand-held data terminals. Further, the legal sufficiency review conducted by the Office of the Attorney General should be sufficiently thorough enough to identify or discern areas of the contract where the District's best interest is not addressed.

3. DDOT examine the feasibility of having an on-site government representative to monitor and verify the accuracy of the collection and counting operations in order to identify any potential weaknesses in the processes.

4. DDOT's Contracting Officer immediately investigate all deposits which did not meet the daily $45,000 minimum deposit requirement and determine if adjustments to the amount is required.

5. DDOT's Contracting Officer, for future contracts, establish and implement liquidated damage penalties for failing to meet established daily minimum deposit requirements.

DDOT IS NOT ADEQUATELY ASSESSING OPERABILITY DATA AND IS FAILING TO COLLECT ALL LIQUIDATED DAMAGES ALLOWABLE UNDER THE CONTRACT

Inoperative or non-performing parking meters deprives the District of potential revenue. The contract provides that DDOT collect liquidated damages if the contractor fails to guarantee that 97 percent of all District meters are in service at any given time and that broken parking meters are repaired within the required 72-hour timeframe. The Auditor found that DDOT has failed to properly enforce this liquidated damages provisions thereby depriving the District of revenue.

Data Used by the Contractor to Determine Compliance With the 97 Percent Parking Meter Operability Standard is Flawed

Section B.9 of the RFP entitled "Performance Standards" states, in part, that the contractor shall ensure that parking meters are durable and dependable enough so that the requirement for 97 percent of all meters to be in service at any given time is met.[24] Section E.6 of the contract states that if the contractor fails to comply with this performance standard the contractor shall, in place of actual damages, pay to the District as fixed, agreed and liquidated damages $2.80 per day, per meter under the 97 percent operability level, until the meter is made operable.

The Auditor found that the District allowed the contractor to determine meter operability which we believe is a conflict of interest. Further, the methodology used by the parking meter contractor to determine operability compliance was seriously flawed because it excluded a large majority of meters found to be inoperable. In determining compliance with the 97 percent standard, the parking meter contractor only recognized inoperable meters *they* identified and classified as "fatal errors." According to DDOT officials and the contractor, "fatal errors" only referred to meters that were inoperable due to: a bad or dead battery, out-of-order display, no display, no time for coin, and flashing fail.

In discussing this matter with DDOT's Citywide Support Program Manager for TSA, the Auditor found that the contractor did not include the majority of meter complaint calls received by the District's call center. According to DDOT's Manager for TSA, when a customer called to report a meter outage complaint to the District, the call was received by an operator at the District's Call Center and was entered into the District's Hansen system under one of two complaint classifications either "physical damage" or "meter check."[25] This coded information was then downloaded into TIMS. Neither of these two classifications were coded such that the parking meter contractor would have acknowledged as broken or inoperable meters for compliance purposes. As a result, these meter

[24] *See* Section B.9 (a)(2).

[25] Hansen is a computerized tracking system utilized by District agencies to monitor customer complaints and how timely District agencies respond to those complaints. All calls that are made to the District of Columbia via the Mayor's Call Center 202-727-1000 are answered, assigned a code and then are entered into the Hansen system. For example, calls relating to parking meter complaints are coded in Hansen as S0276 and at about midnight each day the information is downloaded from the Hansen System into the contractor's system TIMS.

outages were not included in the contractor's calculation for inoperability compliance purposes. Although a majority of the meter complaint calls received by the District's call center could be classified as "fatal errors" they were not reflected in TIMS as "fatal errors" because of how they were captured and misreported at the call center. The detailed categories which comprise "fatal errors" such as out of order display or dead battery were not options used by call center operators. More importantly, even if the contractor recognized this as an issue, it was not in the contractor's best interest nor their apparent responsibility to correct it. On the other hand, the District's call center has become the principal point of contact within the District government to report complaints and other matters about city services. However, it is abundantly clear that there was a failure by DPW and DDOT Management and staff to recognize the importance of the call center and ensure that its employees were fully informed and trained how to handle and code meter complaints. This disconnection adversely impacted revenue collection, contractor meter operability performance requirements, and the timely and effective delivery of a city service based on a complaint.[26]

In analyzing 15,807 meter complaints[27] for fiscal years 2004 and 2005, as of March 31, 2005, the Auditor found that 4,345, or 27.5 percent, were classified as "intentional jam." These meters had paper clips, cardboard, chewing gum and various other items inserted into the coin slot and therefore were not in service. Another 212 meters, or 1.3 percent, had coin jams. Because these meter outages were not classified as "fatal errors," they were also not included in the contractor's calculation for determining the 97 percent meter operability requirement.

The Auditor found only one instance, during the seven (7) year contract period, in which the contractor determined they were not in compliance with the 97 percent operability performance standard. On its June 2004 invoice to the District, the parking meter contractor reduced its bill by $439.88 for 157 meters they determined had failed to meet the 97 percent operability standard. The Auditor found no instances in which the District, independent of the contractor, identified instances of non-compliance with this standard and assessed liquidated damages accordingly.

DDOT relied solely on the representations of the contractor to assess and report their compliance with this critical performance standard even though DDOT was well aware that meter complaints were not being properly coded to reflect out of service meters. In response to questions from the Auditor regarding the District's oversight and monitoring of the contractor's compliance with this standard, DDOT's Citywide Support Program Manager for TSA stated that, "We have no record of DDOT billing for noncompliance regarding 97 percent operability."[28]

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[26]The Auditor met with the Operations manager at the District's Citywide Call Center and found that the call center began receiving meter complaint calls in April 2004 and that the volume ranges between 350 to 600 calls daily. The Operations Manager indicated that her division has met with DDOT officials in an effort to address the issue regarding coding meter complaints.

[27]Analysis of meter repair codes were based on liquidated damages reports provided by the contractor for fiscal years 2004 and 2005.

[28]*See*, Letter from Traffic Services Administration Program Manager in response to the Auditor's request for information pertaining to the privatization contract for parking meter services.

With the large number of parking meters in the city and the limited staff in DDOT's parking meter division, the outcome was a failure to effectively monitor parking meter operability and not hold the contractor accountable for failing to meet this performance standard. As a result, the District may have lost liquidated damages revenue it was entitled to collect from the contractor and revenue that the District would have collected if 97% of the parking meters were operable.

DDOT Failed to Enforce the Liquidated Damages Clause for Late Meter Repair/Replacement During Fiscal Year 1999 Through Fiscal Year 2004, as of December 31, 2003 Resulting in Lost Revenue Totaling Approximately $576,903

RFP Section B.4.b(3) states that the contractor shall repair parking meters when inoperative or damaged, replacing meters in the event they must be removed for maintenance or repair; and ensure that inoperative meters are repaired or replaced within three (3) business days of discovery, or 72 hours. The contract allows for the contractor, instead of actual damages, to pay the District liquidated damages in the amount of $2.80, per day per meter not repaired on schedule or within 72 hours, until the repair is completed. [29] In most cases, the $2.80 per meter per day is not sufficient to cover the District's actual loss when a meter is not operable. The District's actual loss for meters ranges between $3.38 to a high of $9.50 per day depending upon the location of the meter.[30]

Although the authority to bill for and collect liquidated damages was enforceable by the District, the Auditor found the contractor was not assessed and charged any liquidated damages for meter repairs exceeding 72 hours during fiscal years 1999 through 2004, as December 31, 2003. The Auditor found that between fiscal year 1999 and fiscal year 2004, as of December 31, 2003, approximately 8,000 meters needing repair were not repaired within the required 72 hour time period. The District lost revenue totaling $576,903 as well as forfeited liquidated damages due to DPW/DDOT's failure to enforce the contract and hold the contractor accountable for the timely repair of these meters.

The Contractor Miscalculated the Amount of Liquidated Damages Owed to the District For the Period January 2004 to March 31, 2005 Resulting in Lost Revenue of $51,147

The Auditor found that, beginning in January 2004, nearly seven (7) years after the parking meter contract was awarded and only nine months before the contract expired, the contractor began to determine how much was owed for liquidated damages from its failure to comply with Section B.4.b(3) of the RFP.

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[29] *See* List of Liquidated Damages E.6 p. 36 of 56.

[30] Meter zones are classified as premium, high, normal and low. The corresponding rates for meters located in the zones are: $1.00 per hour in a premium demand zone; $.75¢ per hour in a high demand zone; $.50¢ per hour in a normal demand zone, and $.25¢ per hour for meters located in a low demand zone area.

For the period January 2004 through March 31, 2005, the contractor determined it owed the District \$49,871.08 in liquidated damages for meters that were not repaired within 72 hours. The Auditor discussed the \$49,871.08 liquidated damages amount with DDOT officials and found that, apart from the contractor's determination, DDOT made no independent determination as to what was owed the District in liquidated damages under this provision and had not determined that the amount submitted by the contractor was sufficient. Based on the Auditor's review of meters during the period January 2004 through March 2005, however, it appears that the contractor owes an additional \$51,147 in liquidated damages for approximately 7,006 additional meters that were documented as inoperable and not repaired within 72 hours. The 7,006 represents meters for which DDOT received a meter complaint but because they were not coded as "fatal error" the contractor did not include them in their calculation of liquidated damages relating to meters requiring repairs within 72 hours.

The Auditor's analysis determined that the majority of the 7,006 meters were classified by the contractor as mechanical check "ok" and given a "GD" meter code for good meter because the contractor determined the meters were functioning properly. The Auditor found that the contractor took up to 21 days after the 72 hour period to service some of the 7,006 inoperable meters. As previously stated, DDOT had no means of independently verifying revenue collected from these meters, or independent means of determining whether these 7,006 meters were working; if collections had been made; and if revenue was forwarded to the District.

DDOT Failed to Penalize the Contractor for Failing to Complete Work Authorized by DDOT Within the Required 72 Hour Timeframe Resulting in Lost Liquidated Damages of \$123,194

Section B.4.(b) of the RFP, Task 2, states in relevant part, that:

> . . .During the term of this contract, the contractor shall install parking meter mechanisms for new locations as required by the TSA. The contractor shall respond to a TSA request to install or remove meters by proposing a schedule to fulfill the request for the District's approval within 24 hours of a written request from the Contracting Officer or designee.

The contractor is required to perform the work stipulated in the work order within 72 hours or pay liquidated damages in the amount of \$2.80 per day, per meter.[31] Appendix II presents the performance standard the contractor was required to meet and the corresponding liquidated damages that were established in the contract.

The Auditor found that the parking meter contractor failed to comply with the contract/RFP which required the submission of a proposed schedule to DDOT, within 24 hours of receipt of a work order from DDOT's Contracting Officer or designee for the installation or removal of meters.

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[31] *See* Section E.6 of the RFP.

Further, the Auditor found that the parking meter contractor failed to install/remove meters within 72 hours as required. The Auditor reviewed 851 work orders for installation/removal of meters and found that 756, or 88.8 percent , were not completed within the required 72 hour period. The contractor's completion time varied from four (4) to 779 days (over two years) during fiscal years 2000 through 2005, as of March 31, 2005. On average, the Auditor found that it took the contractor approximately 40 days to install and/or remove meters requested by the DDOT's Contracting Officer or designee. Based on the Auditor's analysis, the parking meter contractor owed liquidated damages of approximately $123,194 for failing to complete work orders within the 72 hour period as specified in the contract. Tables III and IV present the Auditor's analysis of work orders and associated liquidated damages.

Table III
Auditor's Analysis of Work Orders
Fiscal Years 2001 through 2005 as of March 31, 2005

Fiscal Year	Total Number of Work Orders Reviewed	Work Orders Completed Within 72 Hours	Work Orders Not Completed Within 72 Hours	Work Orders Without a Completion Date	Average Number of Days to Complete Work Orders
2000	73	4	69	17	74
2001	169	25	144	67	59
2002	141	18	123	92	34
2003	205	18	187	49	36
2004	214	27	187	22	27
2005	49	3	46	8	16
Total	**851**	**95**	**756**	**255**	**246**

Source: DDOT work order requests for fiscal years 2000 through 2005 as of March 31, 2005

Table IV
Auditor's Analysis of Forfeited Liquidated Damages
Resulting From the Contractor's Failure to Complete Work Orders As Required

Fiscal Year	Liquidated Damages with Completion Date	Liquidated Damages Without Completion Date	Total
2000	$ 15,198.40	$ 3,522.40	$ 18,720.80
2001	27,549.20	10,903.20	38,452.40
2002	12,286.40	8,472.80	20,759.20
2003	20,543.40	4,838.40	25,381.80
2004	15,708.00	1,663.20	17,371.20
2005	2,214.80	294.00	2,508.80
Total	**$ 93,500.20**	**$ 29,694.00**	**$ 123,194.20**

Source: DDOT work order requests for fiscal years 2000 through 2005 as of March 31, 2005

Additionally, the Auditor's examination of 851 available work orders[32] for fiscal years 2000 through 2005, as of March 31, 2005, revealed the following:

- DDOT failed to maintain a comprehensive or centralized database of work orders; and

- 255 work orders, out of 851, or 30%, contained missing and/or incomplete data. For example, the contractor failed to specify a completion date on some work orders making it difficult to determine when and if the work was completed and thus making it impossible to hold the contractor accountable for meeting the 72 hour completion requirement.

RECOMMENDATIONS

1. DDOT's Contracting Officer should clearly document how the 97 percent operability provision is to be calculated rather than allowing the contractor to make this determination.

2. DDOT's Contracting Officer must effectively monitor parking meter operability as required by the contract and independently verify compliance with this requirement in order to ensure the accuracy of any contractor report asserting compliance with this and other performance standards. If the contractor is not in compliance with the 97 percent operability standard, DDOT must hold the contractor accountable and enforce the liquidated damages provision requiring the contractor to compensate the District in accordance with the contract provisions.

3. DDOT's Contracting Officer must specify in the new contract or the request for proposals criteria for determining whether meters are inoperable and any exceptions to the common meaning should be clearly articulated in the contract in order to eliminate the possibility of the contractor making unconstrained determinations about meter inoperability.

4. DDOT's Contracting Officer must establish a comprehensive database to track the status of all work orders issued to the contractor and maintain hard copies that are complete and accurate.

5. DDOT's Contracting Officer must enforce the application of penalties for failure to meet the performance requirements regarding requested work orders.

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[32]Of the total 851 work orders reviewed 413, or 49 percent, were for installations and 357, or 42 percent, were for meter removal and installations. The remaining 81, or 9 percent, covered repairs, conversions, and replacements, according to DDOT's Contracting Officer.

6. DDOT's Contracting Officer should aggressively enforce all provisions of the contract regarding liquidated damages through the entire contract period for future parking meter contracts. Specifically, DDOT should make efforts to recover lost revenue from failing to enforce the liquidated damage clause for prior fiscal years.

7. DDOT's Contracting Officer should modify future contract/RFP requirements to reflect that meter inspections are viewed as "discovery" for purposes of liquidated damages regarding repair and replacement and the contractor be held accountable for any resulting liquidated damage charges. In fact, any meter reported as inoperative should be investigated and repaired, if necessary, within the 72-hours regardless of the repair code.

THE AMOUNT OF LIQUIDATED DAMAGES UNDER THE CONTRACT WERE UNREALISTIC, HOWEVER HAD THE CONTRACTOR BEEN BILLED FOR ACTUAL DAMAGES THE DISTRICT COULD HAVE RECOUPED APPROXIMATELY $6 MILLION

In addition to DDOT's failure to properly assess the contractor liquidated damages, the Auditor also found that the $2.80 per meter per day liquidated damages amount did not accurately reflect the actual loss of meter revenue incurred by the District for the contractor's failure to repair meters within 72 hours.[33] As discussed previously, meters were classified as premium, high, normal or low based on the zone location, and rates ranged from a high of $1.00 per hour to a low of $.25¢. In most cases, the $2.80 per meter per day does not cover the District's actual revenue loss when a meter is not operable which could range from a high of $9.50 to a low of $3.38 depending on the zone location and the number of days the meter is inoperable.

The Auditor analyzed the District's lost meter revenue for inoperable meters observed on the following seven (7) routes: 104, 106, 213, 300, 301, 302, and 303 for the period January 2004 through March 2005. Based on the Auditor's calculations, the actual meter revenue loss for these routes for the 15-month period totaled approximately $858,772 while the contractor's estimates for liquidated damages totaled only $49,871.08.[34] In other words, for the period of January 2004 through March 2005, the District recovered only $49,871.08, or approximately 5.8 percent, of its actual loss of approximately $858, 772. The Auditor estimates that during the course of the seven-year contract period, the sunk costs for all meter routes would total approximately $6 million.

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[33]The actual loss of meter revenue, which is sometimes referred to as sunk costs, represent costs that have already been incurred or committed to that cannot be changed by any decision made now or in the future. *See* page 57 Managerial Accounting 10th Edition by Ray H. Garrison and Eric W. Noreen.

[34]The $858,772 sunk cost estimate was derived by estimating the actual sunk costs for September 2004 which totaled $5,073. Based on this estimate, the Auditor determined sunk costs for the entire 15-months of $858,772.

RECOMMENDATION

DDOT's Contracting Officer consider revising the new contract/RFP to modify the liquidated damage penalties to reduce sunk costs and ensure that the District recoups a larger percentage of lost revenue or eliminate the liquidated damage provision and bill for actual damages thereby holding the contractor fully accountable for its performance under the contract.

THE SLIDING SCALE FEE STRUCTURE UTILIZED FOR THE CONTRACT MAY HAVE SERVED AS A DISINCENTIVE TO ACHIEVING PROJECTED PARKING METER REVENUE

Section 3.2 of the parking meter contract states:

> In accordance with the invoicing provisions contained in Article 7 of this agreement, the District shall pay the contractor a percentage of parking meter revenue collected by the contractor based on the following sliding scale:

Range of Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
$0 - $7,000,000	30%	30%	29.5%	29%	28.5%	28%	28%
$7,000,001 - $9,600,000	28%	28%	27.5%	27%	26.5%	26%	26%
$9,600,001 - $12,000,000	26%	26%	26%	26%	25.5%	25.5%	25.5%
$12,000,001 - $13,500,000	18%	18%	18%	18%	17.5%	17.5%	17.2%
$13,500,001 - $14,500,000	16%	16%	16%	16%	15%	15%	15%
$14,500,001 - $15,600,000	12%	12%	12%	12%	11%	11%	11%
$15,600,001 - $20,000,000	8%	8%	8%	8%	8%	8%	8%

Source: Parking meter contract

The parking meter contractor collects fees based on the cumulative amount of meter revenue collected. Under the sliding scale, the contractor collects higher fees overall based on lower revenue collections. According to DDOT officials, the sliding scale was intended to protect the District from paying excessive fees. However, in analyzing meter revenue collections, the Auditor found that the contractor has never collected annual meter revenues in excess of $13,997,435 during any of the contract years.[35] This is slightly below the projected parking meter revenue of $15,092,000 per year for fiscal years 2001 through 2004 as outlined in Section 3.2 of the parking meter contract. The $13,997,435 was only approximately $500,000 more than collected in 1992.

[35] Actual parking meter revenue as reported in SOAR: FY-1999 $9,784,299, FY-2000 $12,208,015, FY-2001 $11,721,251, FY-2002 $13,997,435, FY-2003 $13,943,075, FY-2004 $13,714,730, and FY-2005 $13,653,497.

Essentially, the District has paid the highest fees permissible under the contract while the projected parking meter revenue estimates have not been achieved. For example, the actual amount of revenue collected during fiscal year 2003, totaled $13,943,075, which is approximately $1,148,925 or 7.6 percent below the projected parking meter revenue of $15,092,000. In fiscal year 2004 revenue collections totaled $13,714,730, which is $1,377,270 or 9.1 percent below the $15,092,000 estimate for that fiscal year as well. Notwithstanding, the District paid the contractor fees of $3,839,950.82 in fiscal year 2003 and $3,896,236.95 in fiscal year 2004, as presented in Table V.[36]

TABLE V
Auditor's Analysis of Fees Paid to ACS Based on Revenue Collected During FY's 2003 and 2004

Fiscal Year	Revenue Collected	Fee Percentage	Amount/Fees Paid to Contractor
2003	$ 7,000,000.00	28.5%	$ 1,995,000.00
2003	2,600,000.00	26.5%	689,000.00
2003	2,400,000.00	25.5%	611,999.99
2003	99,912.54	18.0%	17,984.26
2003	1,008,517.43	17.5%	176,490.56
2003	403,964.51	16.0%	64,634.32
New Meters	284,841.69		284,841.69
Other Payments	0.00		0.00
Total FY 2003 Per ACS Invoices	**$ 13,797,236.17**		**$ 3,839,950.82**
2004	$7,000,000.00	28.0%	$1,960,000.00
2004	2,600,000.00	26.0%	676,000.00
2004	2,399,999.90	25.5%	611,999.98
2004	1,141,239.49	17.5%	199,716.90
New Meters	450,534.35		450,534.35
Other Payments	0.00		14,870.00
Liquidated Damages	0.00		**(16,884.28)**
Total FY 2004 Per ACS Invoices	**13,591,773.74**		**3,896,236.95**
Totals FY's-03 & 04	**$27,389,009.91**[37]		**$7,736,187.77**

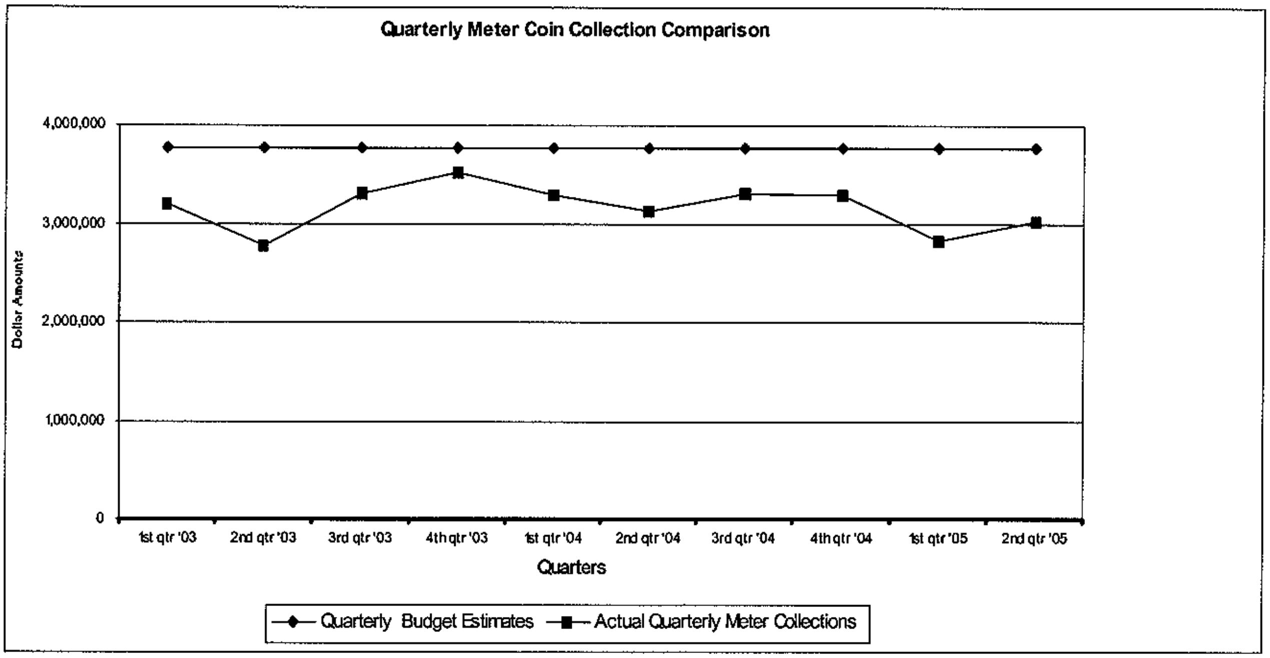
Source: SOAR and ACS invoices

[36] The fees paid to the contractor also included reimbursements for the cost of new meters that were installed during fiscal year 2004.

[37] Revenue reported on the parking meter contractor's invoices.

The Auditor notes that the percentage paid to the contractor never fell below 16 percent during fiscal years 2003 and 2004. Further, the current fee scale does not provide sufficient incentive for the contractor to ensure maximum collections because increasing revenue collections would decrease the contractor's percentages of collected fees while the contractor's costs of repairs for inoperable meters would increase. Additionally, the contract does not hold the contractor accountable for total revenue collections that fall below the $15,092,000 projected revenue collections. Thus, revenue collections have essentially remained flat as reflected in Graph 1.

GRAPH 1
COMPARISON OF ESTIMATED AND ACTUAL METER REVENUE COLLECTIONS FISCAL YEARS 2003 THROUGH 2ND QUARTER 2005



Source: Daily meter coin collections deposits data.

RECOMMENDATION

DDOT should consider a reverse sliding fee scale for future parking meter contracts to serve as an incentive for the contractor to maximize revenue collections and better control fees paid by the District.

INEFFECTIVE INVOICE MONITORING AND RECONCILIATIONS HAVE RESULTED IN VARIANCES IN RECORDED REVENUE

The Auditor also found that there is no independent monitoring or reconciliation of monthly invoices or revenue and payment amounts entered into SOAR. For example, in the Auditor's analysis of sliding scale fees paid to the contractor based on actual revenue collections, the Auditor found that revenue reported in the District's SOAR system, as shown in Table VI, for fiscal years 2003, 2004 and 2005[38] exceeded the amounts of revenue collected as reported by the contractor on its invoices.

TABLE VI
Auditor's Analysis of Revenue and Payments Summary
During FY's 2003, 2004 and 2005[39]

Fiscal Year	Revenue Collected Per ACS Invoices	Revenue As Recorded in SOAR	Variance
FY 2003	$13,797,236	$13,943,075	$145,839
FY 2004	13,591,774	13,714,730	122,956
FY 2005	13,612,738	13,653,497	40,759
Total	**$41,001,748**	**$41,311,302**	**$309,554**

Source: SOAR and ACS invoices

The Auditor contacted DDOT parking meter officials regarding the revenue variances and was told that they had the same variance as the Auditor. However, the Auditor found no record or document suggesting that DDOT officials reconciled parking meter revenue or invoices during the parking meter contract period. In the absence of reconciliation of ACS invoices, the Auditor believes that this variance presents a potential liability if the District owes the contractor. The Auditor contacted the contractor regarding the revenue variances. According to ACS's contract manager, ACS' fiscal year begins on October 10, and ends on October 9 of the following year while the District begins its fiscal year October 1 and ends the following September 30. The Auditor believes that this variance may be due in part to the variation in the District fiscal year versus the ACS's fiscal year.

RECOMMENDATION

DDOT independently reconcile monthly meter revenue reported on ACS invoices to revenue reported in SOAR and if there is any variances identify the source and make the necessary adjustments.

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[38]As of March 31, 2005.

[39]As of March 31, 2005.

CONCLUSION

The Auditor's review of the parking meter contract and related Request for Proposal (RFP) issued by the District during September 1998, revealed a number of significant deficiencies. These deficiencies must be addressed in order to strengthen DDOT's monitoring and oversight capabilities. The findings identified in this report focus largely on the DDOT's failure to hold the contractor accountable for non-performance of the contract standards and ineffective independent monitoring of parking meter operations and collections.

For example, the Auditor found that the District did not enforce a provision for the contractor to provide and utilize hand-held devices to report meter revenue audit data and the actual number of times meters were serviced. As a result, the District lacks an independent means to validate the calculation and reporting of parking meter revenue or meter servicing and is completely reliant on the parking meter contractor to provide critical information regarding revenue collections in addition to lacking an independent basis to challenge data provided by the contractor.

The Auditor also found that the rates used to calculate liquidated damages were unrealistic, and that the methodology utilized by the parking meter contractor to determine compliance with the parking meter operability performance standard of 97 percent is seriously flawed. Despite the District's authority to bill and collect specific liquidated damages for non-performance, the contractor was not assessed and charged for all liquidated damages available. As a consequence, the District at a minimum, lost revenue from liquidated damages totaling $751,244. Finally, the Auditor found that the sliding scale method used to pay the contractor under the current parking meter contract does not provide adequate incentive for maximum meter operability and does not encourage maximum revenue collection by the contractor for the District.

Although the Auditor found that DDOT's oversight and monitoring improved during the last 12 months on the 7 year contract, improvements are still needed. Specifically, for any future parking meter contracts, DDOT must ensure that effective and beneficial contract standards are in place; adequate penalties for non-compliance of contract standards are sufficient; and DDOT's monitoring and oversight of these standards are adequate to ensure proper compliance.

Respectfully submitted,

Lawrence L. Perry

for: Deborah K. Nichols
District of Columbia Auditor

APPENDICES

APPENDIX I

DDOT Parking Meter Privatization Contract
Analysis of Daily Meter Coin Deposits
Fiscal Year 2003

Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Totals
	50,716.49			48,173.48		52,643.63	**43,271.65**		66,429.93	57,917.39		319,152.57
54,570.45							57,771.08	69,280.41	68,948.89		51,814.41	302,385.24
45,647.64		**42,278.76**	**41,544.48**	72,238.56	51,565.00			56,312.11	47,780.47		**39,751.46**	397,118.48
54,740.98	74,324.47	45,800.07		46,613.14	**33,697.70**			59,251.23		71,379.77	**32,350.86**	418,158.22
	46,426.37	**40,008.72**		52,760.17			73,236.78	**37,785.77**		54,970.56	73,668.68	378,857.05
	54,667.44	**42,303.68**	63,309.71	**34,957.59**	**31,642.32**		54,062.68	57,297.29		59,026.44		397,267.15
79,377.59	49,879.34		46,804.37	50,194.52	50,632.20	71,313.53	57,463.21		49,455.20	**35,596.86**		490,716.82
46,436.41	56,635.22		**44,982.42**			53,161.37	**39,400.53**		48,219.70	59,062.28	66,099.30	413,997.23
57,354.65		55,681.73	**33,329.90**			54,900.46	57,701.23	72,183.18	51,164.73		54,533.46	436,849.34
56,825.00		**36,079.55**	49,454.73	46,953.59	66,964.78	**39,324.58**		54,078.16	**42,615.37**		57,146.38	449,442.14
58,151.62		**43,658.69**		46,296.07	53,198.64	56,971.10		57,760.73	56,994.84	71,499.77	**38,853.37**	483,384.83
	48,680.79	**30,388.29**		61,166.64	52,063.85		73,027.13	**39,225.35**		50,316.90	58,063.91	412,932.86
	61,735.50	48,035.50	71,293.61	46,331.67	**37,283.07**		52,615.91	61,446.13		60,110.03		438,851.42
	32,594.33	65,918.62	47,667.38	51,885.59	50,312.57	67,843.55	56,271.94		73,762.52	**34,653.46**		480,909.96
50,772.71	61,385.00		52,006.04			54,000.07	**36,409.15**		53,875.67	53,963.55	71,590.80	434,002.99
61,463.08			57,580.58			55,555.70	57,770.87	72,997.02	59,221.89		50,543.01	415,132.15
41,863.49		46,870.84	66,288.08		69,629.00	48,151.06		53,877.50	46,354.29		58,374.55	431,408.81
61,303.36	77,344.15	50,290.99			53,222.20	59,081.17		58,451.95	57,968.37	71,861.31	50,122.86	539,646.36
	48,731.62	61,950.06			46,886.40	**38,397.90**	71,053.73	47,245.52		53,852.03		368,117.26
	53,879.85	61,477.61		58,324.59	52,556.24		51,739.55	57,953.86		59,587.47		395,519.17
76,662.27	**44,270.15**		51,165.25	**28,966.02**	49,170.44	72,596.32	58,370.18		74,484.64	47,824.74		503,510.01
48,934.68	51,323.92		**44,576.37**			52,691.21	57,323.71		51,622.77	57,998.34		364,471.00
52,534.06		46,492.07	**30,339.91**			57,886.08	69,607.14	73,181.68	59,980.26		93,693.60	483,714.80
36,558.45		**36,258.51**	55,266.02	**29,677.76**	67,798.08	**37,701.79**		52,846.15	**37,679.02**		86,904.43	440,690.21
52,722.87	74,714.42			**21,967.31**	49,970.89	57,883.43		55,805.83	57,647.31	70,085.50	**42,601.33**	483,398.89
	61,839.71	**30,481.61**		51,735.33	51,189.77			**36,082.75**		52,606.03	**43,669.39**	327,604.59
	63,853.69	59,109.36	67,265.99	**44,808.31**	**35,719.83**		49,345.15	59,387.50		57,856.33		437,346.16
		74,130.10	47,365.21	**39,035.45**	55,015.97	74,326.87	**42,214.39**		74,401.84	55,482.82		461,972.65
48,750.85	**37,899.57**	**42,359.86**	50,476.31			54,713.24	**31,607.80**		52,562.12	67,148.73	61,692.92	447,211.40
53,336.63	55,455.20	48,911.97				57,465.35	72,808.68	73,887.74	60,023.48		50,612.00	472,501.05
43,118.24					70,768.85				**43,860.39**			157,747.48
$1,081,125.03	$1,106,357.23	$1,008,486.59	$920,716.36	$832,085.79	$1,029,287.80	$1,116,608.41	$1,163,072.49	$1,206,337.86	$1,235,053.70	$1,202,800.31	$1,082,086.72	$12,984,018.29

Source: DDOT daily meter coin collections deposit slips

APPENDIX I

DDOT Parking Meter Privatization Contract
Analysis of Daily Meter Coin Deposits
Fiscal Year 2004

Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Totals
54,313.95		49,673.04	**28,976.03**		67,309.36			58,322.79	53,054.40		51,782.39	363,431.96
36,492.36		47,079.23		47,279.64	51,466.49	93,671.91		**38,175.52**	54,238.55	62,881.13	58,928.56	490,213.39
55,362.77	69,426.82	47,057.17		**40,587.15**	56,317.00		63,926.54	46,760.57		56,258.91	51,267.71	486,964.64
70,144.85	45,577.01	**41,264.70**			46,825.84		53,011.14	54,998.03		51,014.04		362,835.61
49,413.25	53,148.60	51,373.88	76,879.60	79,381.28	47,294.79	64,471.97	51,807.66			**43,001.82**		516,772.85
	35,215.37		48,448.56	57,070.22		53,016.30	**40,384.10**		53,899.12	49,761.79		337,795.46
	54,590.82		**44,533.69**	51,697.81		53,131.06	47,606.49	64,895.28	46,429.37		54,801.57	417,686.09
57,407.72		64,467.79	**43,232.89**		67,390.46	**40,011.90**		56,278.98			**37,872.69**	366,662.43
50,753.69		49,409.56	51,506.04		53,819.48	48,792.97		69,885.51	56,703.09	59,145.76	**44,779.53**	484,795.63
65,248.64	72,877.69	51,544.27		48,936.61	57,240.23		64,648.37	46,433.39		53,731.56	57,348.93	518,009.69
		37,417.56		**44,834.00**	**38,870.67**		53,541.06	47,116.76		50,807.96		272,588.01
	44,918.10	52,334.06	63,685.56	52,532.85	47,997.53	60,443.49	53,549.28		63,662.69	**35,952.61**		475,076.17
	59,954.40		45,627.95	51,802.69		54,330.42	49,426.06		59,229.44	45,029.68	60,061.60	425,462.24
57,155.02	45,074.70		51,393.64			51,559.76	50,233.37		54,649.46		57,221.59	367,287.54
44,034.89		65,176.22	52,937.24		69,189.88	**37,179.82**		49,300.10	**37,685.71**		47,694.58	403,198.44
42,152.39		49,098.86	57,725.62		56,167.31	46,147.14		53,953.60	47,526.05	58,412.67	**38,942.97**	450,126.61
72,950.55	74,458.19	55,710.65		52,920.54	51,304.17		63,436.69	46,416.30		53,090.81	46,763.98	517,051.88
	44,526.32	**39,702.99**		**43,173.31**	49,376.02		55,627.81	50,434.77		48,112.84		330,954.06
	49,154.54	52,559.89		**40,296.41**	45,041.56	66,826.53	53,383.84		63,780.08	**43,801.08**		414,843.93
69,770.04	**43,074.18**		47,813.82	64,981.19		53,803.29	**39,524.51**		54,134.49	46,220.51	60,630.70	479,952.73
54,444.33	52,844.95		**40,758.65**			52,480.17	48,159.44	68,254.67	53,121.24		49,580.10	419,643.55
56,002.17		78,506.47	**36,490.81**		68,552.71	49,871.00		57,185.96	45,155.07		49,385.55	441,149.74
37,878.21		54,749.50	66,127.47	64,756.51	52,610.12	48,496.83		54,895.84	49,395.14	58,979.70	**42,428.11**	530,317.43
55,247.81	68,453.80	64,242.81		62,866.63	49,393.99		66,414.05	**37,539.44**		53,688.56	46,368.25	504,215.34
74,279.33	59,249.59			53,436.18	**39,768.80**		53,607.12	46,522.86		48,387.76		375,251.64
	59,517.12			**40,698.49**	48,187.35	63,208.05	54,487.28		110,029.40	**37,047.68**		413,175.37
			66,379.28	46,370.73		51,959.53	51,527.26		56,125.04	48,070.55	61,473.12	381,905.51
46,588.33	**35,550.85**		49,913.35			51,727.07	55,308.74	63,639.73	54,691.67	60,397.29	50,343.16	468,160.19
64,228.02		**29,903.01**	**36,400.87**		67,690.19	**38,381.12**		53,192.09	**39,255.05**		49,931.97	378,982.32
44,028.87		53,105.51	**43,659.03**		56,636.83	47,186.34		51,737.98	47,709.30		51,761.05	395,824.91
59,585.11		68,879.43			52,769.82					56,726.58		237,960.94
$1,217,482.30	$967,613.05	$1,103,256.60	$952,490.10	$943,622.24	$1,241,220.60	$1,126,696.67	$1,069,610.81	$1,115,940.17	$1,100,474.36	$1,120,521.29	$1,069,368.11	$13,028,296.30

Source: DDOT daily meter coin collections deposit slips

APPENDIX I

DDOT Parking Meter Privatization Contract
Analysis of Daily Meter Coin Deposits
Fiscal Year 2005

Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Totals
44,855.59	59,810.89	**42,610.69**		47,071.16	50,231.22	244,579.55
	48,568.00	**39,401.93**		47,154.17	**40,548.03**	175,672.13
	48,137.48	**41,506.97**		**38,025.76**	**33,061.15**	160,731.36
59,354.37	52,474.54	47,272.67	53,516.10	**40,971.15**	**39,005.47**	292,594.30
49,371.96	**41,712.06**		46,346.09			137,430.11
46,572.72		57,674.50	45,548.03			149,795.25
54,033.73		48,571.46	**42,762.84**	60,152.44	56,850.28	262,370.75
49,761.11	58,891.96	50,543.84		46,362.93	49,362.70	254,922.54
	53,114.61	**37,956.95**		46,827.82	**44,232.32**	182,131.70
	57,713.06	46,812.85	59,112.73	46,567.46	46,058.98	256,265.08
			46,009.63	**44,731.02**	**41,936.42**	132,677.07
	34,051.96		45,648.28			79,700.24
93,383.23		56,489.81	55,914.36			205,787.40
41,638.88		48,252.50	48,573.69	62,017.16	58,724.54	259,206.77
52,873.48	47,589.58	49,789.18		48,520.63	46,113.08	244,885.95
	52,247.68	**44,593.84**			49,983.88	146,825.40
		42,398.00		58,458.21	**39,328.13**	140,184.34
61,206.41			48,515.67	47,698.32	47,227.27	204,647.67
56,636.06			53,362.65			109,998.71
						0.00
38,908.91		46,995.79	**44,694.92**		59,714.82	190,314.44
46,326.34	57,074.08	64,481.38	48,070.65	51,693.46	51,785.99	319,431.90
	57,024.54	**41,373.31**	60,221.17	**42,372.53**	55,246.69	256,238.24
	64,189.58	**35,208.68**	**26,692.26**	**40,853.75**	45,473.35	212,417.62
61,384.66			**39,251.14**	47,321.50	45,054.63	193,011.93
50,183.34	**40,081.44**		**43,545.57**			133,810.35
46,255.55			**42,938.57**			89,194.12
39,744.74		61,777.60	**43,626.05**	56,705.25	62,590.01	264,443.65
45,389.20	**43,700.96**	56,540.39	**43,226.61**		51,470.11	240,327.27
	48,227.45	**37,102.80**	55,551.74		48,905.94	189,787.93
		35,986.92	51,473.06		50,562.14	138,022.12
$937,880.28	$864,609.87	$1,033,342.06	$1,044,601.81	$873,504.72	$1,113,467.15	$5,867,405.89

Source: DDOT daily meter coin collections deposit slips

APPENDIX II

Performance Standard and Liquidated Damages Under the Parking Meter Contract

Performance Standard	Liquidated Damages
B.9.a(2) - parking meters are durable and dependable enough so that the requirement for 97% of all meters to be in service at any given time is met;	\$2.80 per day per meter under 97% operability level until operable.
B.9.a(5) - no incidents of pilferage of revenue during collections process;	(Amount pilfered) times (daily interest on amount pilfered) per day.
B.9.a(8) - parking meters are delivered according to the agreed upon schedule (see Section B.10 Deliverables and Delivery Schedule).	\$2.80 per day per meter not delivered on scheduled until delivered.
B.9.b(1) - All metered parking spaces in the District have had existing equipment replaced with new equipment in the first year of the contract; at a rate of not less than 25% of meters replaced per quarter;	\$2.80 per day per meter not replaced on schedule until replaced.
B.9.b(2) - after initial replacement of meter stock, all newly designated metered parking spaces have meters and posts installed within 72 hours of written request by the Contracting Officer of designee;	\$2.80 per day per meter not installed on schedule until installation.
B.9.b(3) - meters reported as inoperative are repaired or replaced within 72 hours of discovery;	\$2.80 per day per meter not repaired on schedule until repair is complete.
B.9.b(4) - rate and time conversions are performed for all affected meters within 72 hours of conversion assignment;	\$2.80 per day per meter not converted on schedule until meter is converted.
B.9.b(9) - ninety -seven percent (97%) of meters are in service at any given time	\$2.80 per day per meter under 97% operability level until operable
B.9.c(6) - collected coin revenue is deposited with the Office of Finance and Treasury within same day or by the next business day;	Daily interest applied to an average daily deposit of \$45,000, for each day deposit is late
B.9.c(12) - no incidents of revenue lost: (a) between collections and the counting operation; (b) between counting operation and Office of Finance and Treasury; and	Daily interest applied to the amount of revenue lost, for each day the loss is outstanding

Source: See B.9 of RFP Performance Standards and E.6 Liquidated Damages

AGENCY COMMENTS

AGENCY COMMENTS

On May 9, 2006, the Office of the District of Columbia Auditor (Auditor) submitted this report in draft to the Acting Director of the District's Department of Transportation (DDOT), the Director of the District's Department of Public Works (DPW), and the Operations Manager for the Mayor's Citywide Call Center for review and comment.

An exit conference to discuss the draft report was held on Thursday, May 25, 2006, at the Office of the District of Columbia Auditor with the DDOT's Acting Director, DDOT's Deputy Director for Traffic Services Administration (TSA), TSA's City Wide Program Manager and Contract Administrator, and the Office of Contracting and Procurement (OCP) Contracting Officer assigned to DDOT. Written comments to the draft report were received from DDOT's Acting Director on May 31, 2006. The Director of DPW and the Operations Manager for the Mayor's Citywide Call Center did not provide any written comments to the draft report. Where appropriate changes were made to the final report to reflect the comments received. All written comments received by the Auditor are appended in their entirety to this final report.

The comments provided by DDOT officials were insightful in providing information about internal changes DDOT has made to address the deficiencies identified in the Auditor's draft report on contract administration and financial management of parking meters. For example, DDOT's Acting Director indicated DDOT has already instituted some measures and anticipates implementing others to improve management and audit accountability of the parking meter contract including:

1. hiring a Quality Assurance Specialist to monitor activities of the parking meter contractor;
2. reorganizing TSA;
3. establishing a City Wide Division to promote management of infrastructure assets; and
4. holding weekly meetings with the contractor, and DPW's Parking Enforcement Administration to improve contract operations.

Additionally, DDOT's Acting Director indicated that the department is working to develop a Parking Meter Program Management Plan (standard operations procedures guide) to provide DDOT staff with a clear understanding of their individual responsibilities, and establishing a Work Order Data Base for tracking work orders throughout the system.

DDOT officials have also issued a revised RFP which includes stronger auditing provisions which includes annual audits, improved IT systems, and increases in Liquidated Damages penalty amounts. While the Auditor applauds DDOT's recent efforts to make improvements, it is critical to note that many of DDOT's reported changes were done within the final 12 months of the parking meter contract. In other words, during the majority 7 year contract period there was a lack of (1) adequate contract monitoring and oversight; (2) weekly meetings between DDOT and the contractor; (3) independent confirmation or verification of revenue reported by the contractor; (4) a Quality Assurance specialist in place to monitor the parking meter contractor; and (5) a functioning Work Order Data Base for tracking work orders submitted to the contractor, in addition to other significant deficiencies noted in the Auditor's draft report. Because there were no components and systems in place to address these deficiencies during the majority of the contract period, the Auditor stands by the findings and recommendations in this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
District Department of Transportation

Office of the Director

May 30, 2006

Deborah K. Nichols, Esq.
District of Columbia Auditor
Office of the District of Columbia
Auditor
717 14th Street, N.W., Suite 900
Washington, DC 20005

Dear Ms. Nichols:

Thank you for the opportunity to meet with you and your staff to discuss the draft report in the Exit Conference on Thursday May 24, 2006. I also want to thank you for the time and effort that you and your staff dedicated to examining the managerial and operational condition of the Parking Operations Group (POG) of the Traffic Services Administration (TSA) within the District Department of Transportation (DDOT). Your findings and recommendations have provided DDOT with an analytical review that will serve as a blue print and a critical tool to assist DDOT in achieving its overall goal of making parking operations a world class organization. The report along with the recommendations and insights that came out of the Exit Conference identified areas where improvements must be made, i.e. an open dialogue with the Chief Financial Officer (CFO).

DDOT has already instituted a number of measures that have begun to improve the management and audit accountability of the parking meter contract. These changes include, but are not limited to the hiring of a "Quality Assurance Specialist," who monitors the parking meter contractor; the reorganization of TSA, and the inception of the City Wide Division that in general promotes management of infrastructure assets over the lifecycle of the assets in the most cost-effective manner so that a specified level of service can be achieved. City Wide Division managers meet on a weekly basis with the contractor and the Department of Public Works (DPW), Parking Enforcement Administration, to review all phases of the operation and to better coordinate efforts.

A Parking Meter Program Management Plan is also being developed in anticipation of the new contract. This management plan will in effect be a standard operations procedures guide that will provide each staff member with a clear understanding of individual oversight responsibilities relating to the parking meter operation.

As you know, a Request for Proposal (RFP) for Parking Meter Management Services has been developed that will serve as a comprehensive, long-term solution to meeting the specific items of deficiencies as outlined in the "Auditor's Examination of Parking Meter Contract Administration and Financial Management." The RFP was developed with emphasis on the areas outlined and with extensive input from the Office of the Attorney General during the review of the RFP and the procurement process. We recognize the need for improved auditing capability and we included several mechanisms such as an annual independent audit each year of the contract and improved IT systems in place to track performance. An example is the development of a Work Order Data Base which will track work orders from their inception to completion.

The enclosed document, "Responses to the District of Columbia Auditor's Draft Letter Report" explains in detail our goals; how our short-term measures have directly enhanced DDOT's ability to manage the parking meter contract; and how the RFP will provide the District of Columbia with a long-term innovative and reliable parking meter management program.

If you have any questions, please call me at 202-673-6813, Douglas Noble, Associate Director for Traffic Services Administration, or Robert Marsili, City Wide Program Manager, at 202-671-2700.

Sincerely,

Michelle Pourciau
Acting Director

Enclosure

Responses to the District of Columbia Auditor's Draft Letter Report: *Auditor's Examination of Parking Meter Contract Administration and Financial Management*

DDOT IS NOT INDEPENDENTLY MONITORING AND VALIDATING PARKING METER REVENUE COLLECTED BY THE CONTRACTOR.

DDOT does monitor meter collections activity and has visited and worked alongside the collection crews to inspect the process and to inspect the counting and weighing process. As explained to the auditor staff, DDOT does rely heavily on the integrity and professional ability of our contractor to provide DDOT with accurate revenue activity (based on the collection procedures we inspect and monitor) in daily and weekly reports issued to DDOT. Additionally, DDOT parking managers meet on a weekly basis with ACS to review all aspects of the contract including collections. We receive, as part of our reporting requirements, a weekly report broken down by route and amounts collected from each route, and the report is reviewed for any anomalies or variances that are not explained prior to the meeting such as holiday collection schedules. Recently, it was noted that several routes had a negative variance in revenue collected. After bringing this to the attention of ACS in our weekly meeting, ACS conducted security surveillance and salted several routes to determine if the actual collector employees were collecting the coins from each and every meter on the route. DDOT found that a collection employee was skipping several meters and was not collecting the coins which caused the variance for the route in our report. The matter was addressed by ACS and action was taken against Serco, the subcontractor.

Hand Held devices were not used by the Contractor to Record and Report Daily On-Site Parking Meter Revenue as Required by the Contract.

This matter was investigated and we found that during the initial installation of the new meter mechanisms back in 1998 the revenue audit function for each mechanism with a hand held never function properly and apparently was never implemented. The maintenance tracking function does still record data on malfunctioning meters. The new Parking Meter Contract has the audit function on the single space mechanisms as one of the requirements for the contract.

DDOT Is Not Independently Overseeing the Counting Process for Parking Meter Collections.

As we explained to the auditor and staff, DDOT has made spot checks on the contractor and has visited and worked with ACS sub-contractors with the collection function and the maintenance function. We do not perform this activity on a daily basis due to staffing constraints; however, each daily deposit and each weekly report is scrutinized for any variances that may be found on any route.

The Parking Meter Contractor failed repeatedly, without penalty, to meet the $45,000 minimum daily revenue deposit requirement.

The RFP states in Section B.4 (c) 2 (d), "...collected revenue from the counting facility is transferred securely to a District financial institution and ultimately to the Office of Finance and Treasury. Based on current revenues, the amount deposited is expected to be at least $45,000 a day." The RFP states ***expected*** to be and it is our opinion this is not a guaranteed amount that is required each day, but rather an expected range. The collection in the CBD and other high occupancy routes typically would be in the $45,000 range. In other routes and areas outside of CBD, our occupancy is lower and revenue may not be as high in those areas on the collection day. Coming off a holiday schedule many routes are pushed ahead for collection. Holiday schedules can cause variances along with snow days.

Again, as explained to the auditor's staff, since April 2005, DDOT has been meeting ACS on a weekly basis to discuss all operational activity and to review revenue reports and maintenance reports. All variances are discussed and responded to by the contractor. The close coordination has enabled DDOT to experience increased revenue flows each month since April 2005. (See Revenue Trends for 2005-2006).

Recommendations:

1. DDOT has structured the new RFP in a way that meets this recommendation. The multi-space meter implementation will automatically address the audit function. DDOT does require the use of handheld terminals in the new contract, and DDOT will strive to ensure compliance with the requirements. As specified in the new RFP Section C.3.9.1.13, "Handheld terminals shall be fully capable of downloading coin audit data from the existing meters deployed in the District."
2. Liquidated Damage Penalties are incorporated into the new contract (See new RFP Section H.12 and numerous references throughout Section C). The liquidated damages are related to the performance standards (primarily meter operability, appearance, and timeliness of response). They do not, however, cover maintenance of parking meter accessories, such as hand-held data terminals, which are primarily a means of data collection, rather than a piece of equipment providing service to the public. The Office of the Attorney General performed in-depth reviews of the new RFP prior to it being advertised.
3. DDOT will evaluate the feasibility of the recommendation.
4. DDOT met with Contracting Officer, and it was determined that the amount was only a range and not a requirement that must be met each day.
5. It is difficult to meet minimum requirements for every day when holidays and other changes dictate the collection schedule. Section H.12 in the new RFP covers liquidated damages for not meeting meter operability and response time standards, both of which directly impact the ability to collect revenue.

DDOT IS NOT ADEQUATELY ASSESSING OPERABILITY DATA AND IS FAILING TO COLLECT ALL LIQUIDATED DAMAGES ALLOWABLE UNDER THE CONTRACT

Data used by the contractor to determine compliance with the 97% Parking Meter operability standard is flawed.

As discussed with the auditor's staff, prior to October of 2004, all calls for service on parking meters would be directed to a mail box on an answering machine, which DDOT would monitor daily. This process caused a number of problems for the TSA meter staff. Each day hundreds of calls would need to be listened to and record the phone number and meter numbers, and it was very difficult to maintain. These calls amounted to approximately 200-300 a day, and the mailbox would be full on many occasions. TSA staff would listen to every call and prepare a work order to be generated and sent to ACS in the TIMS system. DDOT managers at that time decided to allow the calls to go through the Call Center and the District's work order system and that all Hansen's meter service request numbers would be batch sent to ACS electronically each night. Essentially, utilizing the Call Center created efficiencies by removing the responsibility of collecting all the calls through a separate process out of the answering machine and entering each one into a work order which would be sent to ACS by TSA staff.

Now each call that comes into the Call Center generates a Hansen service request number and all the service request numbers are batch sent to ACS and we monitor these for timely compliance to the 72 hour requirement. It has made a significant improvement to the customer service aspect to know these calls are automatically being sent for service. In fact, DDOT who is ultimately responsible and accountable for this service, is measured by an outside entity, The Mayor's Call Center, against our performance goals. These measures are used to evaluate the Director and the District Department of Transportation achievements.

The only issue we have with the process is the fact we only have two codes in the call center - one for a meter checks (which most calls are for) and the other called physical damage (which only accounts for a small number of service requests). The batch feeding of the service requests for the day are only sent over with the Hansen number and the code - either meter check or physical damage. Apparently, operability was being calculated by ACS on what is known as fatal calls. They consist of Out of Order, Flashing Fail, No Display, Bad Battery and No Time for Coin. If the meter codes mentioned could be captured, DDOT could acquire a true sense of operability. These codes are used by ACS to calculate operability. We have made requests for the codes to be accommodated, but this change has not occurred.

In the new contract, all calls coming into the call center will be factored into the operability calculation, thereby eliminating the need for the additional codes. Additionally, our new work order system must be used by the contractor, not us using the contractor's system. DDOT will calculate liquidated damages each District Business Day based on the data in DDOT's system.

The new RFP also includes periodic inspections (Section E.4), annual inspections (Section E.5), and an independent performance audit (Section E.5), to review Contractor progress and performance against the performance standards.

The new RFP also sets the following as one of the primary objectives: "Reportable and Measurable Performance: Meter operability shall be reportable and measurable by the Contractor and District personnel by accessing one integrated electronic information system."

DDOT failed to enforce the liquidated damages clause for late meter repairs / replacement during fiscal year 1999 through fiscal 2004, as of December 31, 2003 resulting in lost revenue totaling approximately $576,903.

The average revenue generated for each meter District-wide per meter per day is approximately $3.78. It is our estimation that the $2.70 was developed back in 1997 and should be updated. In the new contract we have the amount based on our Premium Rate Zone, ($1.00 per hour) and for 12 hours of potential lost revenue, and have a separate rate for single-space and multi-space meters, namely:

$11.96 per District Business Day or any fraction thereof for each Single Space Meter Repair Request Notification that has not been addressed after three District Business Days as documented by Single Space Meter Operability Repair Response.
$5.98 per single-space meter rounded to the nearest integer value per District Business Day or any fraction thereof for all meters under the 97% meter operability rate.
$119.60 per District Business Day or any fraction thereof for each Multi-Space Meter Repair Request Notification that has not been addressed after one (1) District Business Day as documented by Multi-Space Meter Operability Repair Response.
$119.60 per multispace meter per District Business Day for all meters rounded to the nearest integer value under the 99% meter operability rate.

As part of an original requirements in the contract, DDOT has initiated accessing the contractor over $42,500.00 in Liquidated Damages for not completing work orders within the 72 hour time frame.

The Contractor miscalculated the amount of liquidated damages owed to the district for period Jan. 2004 to March 2005 resulting in lost revenue of $51,147.

The fatal error calculation, which was being performed by the contractor, was a major obstacle for DDOT to be able to calculate these penalties. As stated in the previous response, we were not part of the District team that used these items as parameters for calculating the penalties. We have addressed the problem in the new RFP (DDOT will now be performing the calculation and automatically assessing the liquidated damages) and plan to correct the problem with the new contract and new work order system developed by DDOT.

DDOT failed to penalize the Contractor for failing to complete work authorized by DDOT within the 72 hour timeframe resulting in lost Liquidated damages of $123,194.

The interpretation we have of the requirement is that the contractor is to provide a schedule to perform the work not that they only have 72 hours to complete the work orders. This included removing posts and meters and realigning certain meter configurations on blocks. It is our interpretation that this is realistic and a schedule must be proposed first and then if ACS did not meet the proposed date of completion, we would then be able to access $2.80 in Liquidated damages against them.

This method will be corrected and improved through the new ISLIMS System. The new RFP states, "The Contractor shall have three (3) District Business Days from the time of the Single Space Meter Repair Request Notification to either repair the meter or notify the District that the meter is operable (hereafter referred to as a "Single Space Meter Operability Repair Response")."

Recommendations:

1. Section H.12.1 of the new RFP details clearly how the operability will be calculated.

2. As stated in the new RFP, the District's ISLIMS work order system will monitor every work order issued to the new contractor. The new contractor must interface with our system, and DDOT will hold contractor accountable for the performance standards and enforce liquidated damages. The new RFP also includes periodic DDOT inspections (Section E.4), annual DDOT inspections (Section E.5), and an independent performance audit (Section E.5), to review Contractor progress and performance against the performance standards.

3. The new RFP includes the following definition of meter operability:
   "Meter Operability: The ability of a meter to receive payment and display time purchased for metered space. In the case of each multi-space meter, the District shall define operability as the ability to receive and record payments in the form of hard currency and electronic payments and print a receipt for time purchased for a metered space."

   The new RFP also includes performance standards for meters:
   "The Contractor shall maintain and repair all parking meters to the following performance standards:
   - The functionality of the meter is not impaired;
   - The entire meter apparatus is plumb (i.e., vertical as measured by a plumb bob suspended from the meter housing or mounting bracket);
   - The exterior of the meter housing is free of graffiti, signs, duct tape, stickers or any other material not authorized by DDOT/TSA;
   - The meter display is not impaired by cloudy domes or windows;
   - DDOT/TSA specified decals and meter signage are legible and free of tears, graffiti or other unauthorized conditions/obstructions;

- The meter housing remains secured and fixed on the post such that the display is visible from the parking space; and
- All requirements of manufacturers' warranties are observed and any documentation required by such warranties is kept up-to-date and maintained by the Contractor.

Section H.12 clearly states how liquidated damages will be determined and calculated.

4 DDOT has specified in the RFP a new work order system that the contractor must integrate with. In the RFP, it referred to as, "the District's work order system." The system that we plan to use in called ISLIMS.

5. The COTR will work closely with the contracting officer to assure all provisions are being administered and work orders are being completed within the allotted performance standard.

6. See previous responses. It will be up to the DDOT CO to determine if efforts should be made to recover the lost revenue, and whether adequate information exists to pursue this lost revenue.

7 DDOT has indicated and will make clear to the awarded contractor that any calls into the District's Call Center will be considered as inoperable and will be included in the daily operability calculation. Additionally, all calls into the Call Center must be completed within 72 hours. The new RFP states, "The Contractor shall have three (3) District Business Days from the time of the Single Space Meter Repair Request Notification to either repair the meter or notify the District that the meter is operable (hereafter referred to as a "Single Space Meter Operability Repair Response")."

THE AMOUNT OF LIQUIDATED DAMAGES UNDER THE CONTRACT WERE UNREALISTIC, HOWEVER, HAD THE CONTRACTOR BEEN BILLED FOR ACTUAL DAMAGES THE DISTRICT COULD HAVE RECOUPED APPROXIMATELY $6 MILLION.

As stated in our previous responses to Liquidated Damages, DDOT has a difference of opinion in regards to several interpretations of the language where the auditor indicates DDOT could have enforced liquidated damages. The liquidated damages amount of $2.80 has been reevaluated and DDOT has determined that the new amount is:

- $11.96 per District Business Day or any fraction thereof for each Single Space Meter Repair Request Notification that has not been addressed after three District Business Days as documented by Single Space Meter Operability Repair Response.
- $5.98 per single-space meter rounded to the nearest integer value per District Business Day or any fraction thereof for all meters under the 97% meter operability rate.

- $119.60 per District Business Day or any fraction thereof for each Multi-Space Meter Repair Request Notification that has not been addressed after one (1) District Business Day as documented by Multi-Space Meter Operability Repair Response.
- $119.60 per multispace meter per District Business Day for all meters rounded to the nearest integer value under the 99% meter operability rate.

Recommendation:

DDOT has included a larger percentage of lost revenue as indicated in the response above.

THE SLIDING SCALE FEE STRUCTURE UTILIZED FOR THE CONTRACT MAY HAVE SERVED AS A DISINCENTIVE TO ACHIEVING PROJECTED PARKING METER REVENUE.

The new RFP contract language has incorporated a Firm Fixed Price approach including liquidated damage penalties and incentive clauses for good performance in wards.

Recommendation:

See response above.

INEFFECTIVE INVOICE MONITORING AND RECONCILIATIONS HAVE RESULTED IN VARIANCES IN RECORDED REVENUE.

Recommendation:
DDOT will consider the recommendation.

The new RFP requires, "Within 60 days from the Contract Award Date, the Contractor shall document and implement a revenue audit protocol in connection with its collections operation sufficient to demonstrate that all monies deposited in a sample of single-space meters and 100% of multi-space meters are being realized in the bank deposits. Such protocols shall be part of collection standard operating procedures. The Contractor shall reconcile the results of its revenue audits to bank deposits on a collection route basis and shall compensate the District for negative variances in these amounts."

In addition, the new RFP states, "At the District's option, the District will hire an independent firm to conduct an annual performance audit of the Contractor's performance in managing the District's parking meters."